

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF GEORGIA
SAVANNAH DIVISION

IN RE:

RODNEY ALLEN GIBSON and
DEBORA MINERVA GIBSON,

Debtors.

:
:
:
:
:
:

Chapter 7

Case No. 21-40749-EJC

United States Courthouse Annex
124 Barnard Street
Savannah, Georgia

TRANSCRIPT OF HEARING

BEFORE THE HONORABLE EDWARD J. COLEMAN, III
CHIEF UNITED STATES BANKRUPTCY JUDGE

April 11, 2023

*Transcript ordered by the Honorable Edward J. Coleman, III

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E X H I B I T I N D E X

<u>EXHIBIT NUMBER</u>	<u>IDENTIFIED</u>	<u>TENDERED</u>	<u>ADMITTED</u>
1	47	8	8
2	11	8	8
3	17	8	8
6	25	26	27
7	21	22	23
8	28	8	8

P R O C E E D I N G S

(Call to order at 12:29 p.m.)

THE COURT: All right. The Court will call the case of *Rodney Allen Gibson and Debora Minerva Gibson*, Case Number 21-40749.

Appearances?

MR. PASCHKE: Thank you, Your Honor. Joel Paschke for the United States Trustee.

MS. SHEPPARD: Stephanie Sheppard, attorney for the debtors.

THE COURT: Good morning -- or good afternoon, Ms. Sheppard.

MS. SHEPPARD: Good afternoon.

THE COURT: Pleasure to meet you.

MS. SHEPPARD: It's a pleasure.

THE COURT: All right. We have on the calendar, Mr. Paschke, your motion for sanctions.

Do you want to outline that for me and tell me where we stand?

MR. PASCHKE: Yes, Your Honor.

The U.S. Trustee brought this motion because it was concerned about a particular business model that seems to be cropping up in consumer cases across -- around the country in various jurisdictions. And this happens to be another example.

And the example that I'm referring to, Your Honor, is

1 where a nationwide -- or a purported nationwide bankruptcy firm
2 advertises over the Internet to collect clients from various
3 jurisdictions around the country; does bankruptcy work
4 in-house, basically preparing petitions, schedules, statements
5 of financial affairs, and related pleadings; then ships those
6 documents out to a local counsel who's licensed to practice
7 in the jurisdiction where the debtor actually resides. And
8 then that attorney uses their ECF filing privileges to file the
9 case, represent the debtor at the 341 meeting, and so forth.

10 This business model, we think, gives rise to various
11 concerns under the rules regarding disclosure that relieve
12 agencies -- 707(b)(4) -- with regard to who's conducting the
13 intensive fact-gathering process as well as fee sharing and
14 other issues that have been raised by other courts. And I
15 think we cited a case in our motion.

16 Prior to today's hearing, I have been in contact
17 with Ms. Stephanie Sheppard, who is here today. She is local
18 counsel for the debtors in this case. Recovery Law Group has
19 not contacted me, and I have -- I believe there has been no
20 response filed by Recovery Law Group as of this morning anyway.

21 So we're at the point now, Your Honor, where the
22 debtors are here. Debora and Rodney Gibson are in the
23 courtroom and ready to testify about how their case came about.
24 Ms. Sheppard is also here and is willing to give the Court her
25 statement and offer some testimony as to her involvement in the

1 case --

2 THE COURT: Okay.

3 MR. PASCHKE: -- and anything she might be able to
4 tell us about Recovery Law Group.

5 In addition, I have several exhibits that have been
6 marked. And I wonder if it might be beneficial at this point
7 to make sure that the Court has copies of them. I don't know
8 if we will be using that as the witness area. Maybe we can put
9 copies there as well.

10 THE COURT: All right. Well, why don't we just --
11 Ms. Sheppard, do you have any objection to the Court reviewing
12 the proposed exhibits?

13 MS. SHEPPARD: (No response.)

14 THE COURT: Have you been provided with copies?

15 MS. SHEPPARD: Yes, Your Honor, I do have copies of
16 all of the exhibits.

17 I have no objection to Exhibit 1, Exhibit 2,
18 Exhibit 3, or Exhibit 8.

19 I do have objection to Exhibits 4, 5, 6, and 7.
20 Those exhibits are purported to be emails that were originated
21 from Recovery. I can neither confirm nor deny the authenticity
22 of those emails. So at this juncture, as far as the case
23 relates to me, I am opposed to those exhibits.

24 THE COURT: Okay. Thank you.

25 MS. SHEPPARD: You're welcome.

1 MR. PASCHKE: Your Honor, just so we don't forget, I
2 would ask that the Court admit Exhibits 1, 2, 3, and 8 into the
3 evidentiary record at this time.

4 THE COURT: No objection?

5 MS. SHEPPARD: No objection, Your Honor.

6 THE COURT: All right. They are admitted.

7 And these are marked UST exhibits?

8 MR. PASCHKE: No. They are just Exhibits 1, 2, 3,
9 and 8.

10 THE COURT: That's fine.

11 (An off-the-record discussion was held.)

12 MR. PASCHKE: Thank you, Your Honor. I think we're
13 ready to start taking testimony at this point.

14 THE COURT: Okay.

15 MR. PASCHKE: And the U.S. Trustee would like to call
16 Debora Gibson to the stand.

17 THE COURT: Well, let me interrupt. Your remarks
18 were very abbreviated, and that's fine.

19 MS. --

20 MR. PASCHKE: Oh, I apologize, Your Honor.

21 THE COURT: Is it Sheppard?

22 MS. SHEPPARD: Mine will probably be shorter than
23 what his were.

24 Good afternoon. Thank you, Your Honor. As
25 Mr. Paschke has outlined, we are here on the trustee's motion

1 for sanctions where myself and Recovery Law Group, known as RLG
2 throughout this proceeding . . .

3 And while I can understand that the trustee doesn't
4 particularly care for RLG's business model, it is my belief
5 that the testimony that the Court will hear today will show
6 that, one, the debtors knew who they were hiring and what
7 they were paying; two, that Attorney Sheppard -- that would
8 be myself -- satisfactorily performed the duties that were
9 outlined in the retainer agreement; and, three, that the
10 debtors' case was successfully discharged.

11 If the Court has any questions in regards to Recovery
12 Law Group, to the extent that I'm aware of, I'm more than
13 willing to provide that information. Mr. Paschke can tell you
14 that we have been in communication. I am very transparent and
15 very forthcoming. So if there's anything that you need from me
16 that I have, you have it. Thank you.

17 THE COURT: Okay. Thank you, ma'am.

18 Mr. Paschke, you may call your first witness.

19 MR. PASCHKE: Thank you, Your Honor. The
20 U.S. Trustee calls Debora Gibson.

21 DEBORA GIBSON,
22 having been duly sworn, was examined and testified as follows:

23 DIRECT EXAMINATION

24 BY MR. PASCHKE:

25 Q. Thank you for being here today, Ms. Gibson.

1 A. Yes, sir.

2 Q. My understanding is that you and your husband are
3 Chapter -- were Chapter 7 debtors in Case Number 21-40749; is
4 that --

5 A. Yes, sir.

6 Q. -- correct?

7 And my understanding is that -- sorry. There was a little
8 bit of feedback there.

9 And did you engage the services of Recovery Law Group to
10 help you with your bankruptcy case?

11 A. Yes, sir.

12 Q. How did you find Recovery Law Group?

13 A. Basic Internet search looking for bankruptcy attorneys.

14 Q. And how did you make first contact with Recovery Law
15 Group?

16 A. A online contact, basically a questionnaire.

17 Q. Okay. So you filled out an online questionnaire and
18 submitted it?

19 A. Yes, sir.

20 Q. And how did they get back to you after that?

21 A. Email inquiry.

22 Q. Okay. And do you recall who that email was from?

23 A. It was not the lady that I dealt with all the time. It
24 was -- a general kind -- intake-type person got our basic
25 information and said that they would have somebody reach out to

1 us and be in contact with us.

2 Q. Okay. And was that by email then?

3 A. Yes, sir.

4 Q. Did you sign a Chapter 7 retainer agreement with Recovery
5 Law Group?

6 A. Yes, sir.

7 Q. And I think that's been marked as Exhibit 2 in front of
8 you.

9 If you take a look at Exhibit 2, can you confirm for me
10 that this is the retainer agreement that you signed with
11 Recovery Law Group?

12 A. Yes, sir.

13 Q. And you'll see that there are page numbers marked at the
14 very top of each page in the right-hand corner.

15 A. Yes, sir.

16 Q. Page 1 of 12, for example, is the first page.

17 A. Uh-huh.

18 Q. If you go to Page 3 of 12, you'll see the signature block.

19 A. Yes, sir.

20 Q. Down at the bottom of Page 3 of 12, you'll see what
21 appears to be an electronic signature of your -- your name,
22 Debora Gibson.

23 Do you see what I'm referring to?

24 A. Yes, sir.

25 Q. And is that your electronic signature?

1 A. Yes, sir.

2 Q. And did you put that electronic signature on this
3 agreement?

4 A. Yes, sir.

5 Q. Okay. And beneath your name, there is another name. It
6 says --

7 THE COURT: Let me stop you there.

8 How does that work? How does the electronic
9 signature work?

10 THE WITNESS: It's a box that you type your name in,
11 and it automatically transfers it to a signature. You type
12 your actual name, and it creates a signature of it.

13 THE COURT: Is that a program, or is it just related
14 to this document?

15 THE WITNESS: It's a program on that document that
16 you have on your computer.

17 THE COURT: Okay. Have you done that in other --

18 THE WITNESS: Yes, sir.

19 THE COURT: -- contexts?

20 THE WITNESS: Yes, sir.

21 THE COURT: Okay. Thank you.

22 BY MR. PASCHKE:

23 Q. And you'll note that the date of this agreement next to
24 your name is June 30th of 2021; correct?

25 A. Correct.

1 Q. Is that the -- is that the date that you signed this
2 document electronically?

3 A. To my recollection, yes.

4 Q. And underneath your signature, you'll find the name
5 Nicholas.

6 Do you know who that is?

7 A. That was also one of the intake people that we dealt with
8 back and forth through email.

9 Q. Do you know his last name?

10 A. I do not.

11 Q. Do you know if he's an attorney?

12 A. I do not.

13 Q. Okay. All right. Let's continue on.

14 Did Recovery Law Group provide you a hard -- or paper copy
15 of the Chapter 7 retainer agreement for your own records?

16 A. As in looking last night again through all of my emails,
17 I do not remember getting one from them.

18 Q. Okay. But we got this --

19 THE COURT: Are you asking her if she ever got a copy
20 of Exhibit 2?

21 MR. PASCHKE: Yes.

22 THE COURT: Well, I mean, she signed it, so . . .

23 THE WITNESS: But it was --

24 MR. PASCHKE: She --

25 THE WITNESS: -- an electronic --

1 MR. PASCHKE: She signed it. It was an electronic --
2 it was an electronic document on their system.

3 THE COURT: So are you asking her if they ever mailed
4 her a paper copy?

5 MR. PASCHKE: Yes.

6 THE COURT: Okay.

7 THE WITNESS: No, sir.

8 THE COURT: And they didn't mail you a paper copy?

9 THE WITNESS: No, sir.

10 THE COURT: Okay.

11 BY MR. PASCHKE:

12 Q. Did you have an electronic version of this document saved
13 somewhere on your computer?

14 A. No, sir.

15 Q. Okay.

16 THE COURT: Well, do you -- but you could go back to
17 the email and click on --

18 THE WITNESS: No, sir. It's an actual -- it's like a
19 DocuSign agreement is what they send over.

20 THE COURT: So once you sign it, it --

21 THE WITNESS: It goes directly to them.

22 THE COURT: And you don't have it on your computer
23 anymore?

24 THE WITNESS: No, sir. It goes to them. It's in our
25 file to the -- to the -- RLG. It's part of our file.

1 THE COURT: But you can't retrieve it on your --

2 THE WITNESS: No, sir.

3 THE COURT: -- own computer? Okay.

4 THE WITNESS: No, sir.

5 THE COURT: Thank you, Mr. Paschke.

6 MR. PASCHKE: Okay.

7 BY MR. PASCHKE:

8 Q. Okay. So you've signed an -- you signed a retention
9 agreement with Recovery Law Group?

10 A. Uh-huh.

11 Q. Did your husband also sign that agreement?

12 A. Yes, sir.

13 Q. But we don't see his name anywhere on this document --

14 A. Right.

15 Q. -- or, I should say, the Chapter 7 retainer agreement; is
16 that correct?

17 A. Correct.

18 Q. Do you know why that is?

19 A. No, because we actually signed it the same night together.
20 We were sitting -- I remember. We were sitting at our kitchen
21 table. We signed it. It was on my laptop.

22 Q. Okay. Now, did you pay RLG for their services?

23 A. Yes, sir.

24 Q. And do you recall how much you paid?

25 A. It was roughly -- I saw a number in there, but I know it

1 was around 1,800.

2 Q. Right. Approximately \$1,838?

3 A. Yes, sir.

4 Q. And how did you make that payment?

5 A. We broke it up into small payments. We had a portal that
6 we could go into and make payments. It was supposed to have
7 been broke down into, say, I think, 6 or 12 months. But every
8 time I'd get a little extra, if I had it, I'd go in and pay it,
9 so -- and then we ended up paying it off early.

10 Q. Okay. So you made payments over time --

11 A. Yes, sir.

12 Q. -- to pay that amount?

13 A. Yes.

14 Q. And you -- how did you make those payments?

15 A. It was --

16 Q. You said through an online portal?

17 A. Yes, sir.

18 Q. And did you have to use a debit card or a bank account?

19 A. It was our debit card.

20 Q. Okay.

21 THE COURT: Do we know -- do you know the dates and
22 amounts of each payment?

23 THE WITNESS: There was a record of it somewhere in
24 our -- in our file. There was. I don't have it in front of
25 me, but there was a file. Ms. Sheppard may have had it in our

1 packet. I'm not sure. But there was, like, a receipt trail
2 that had it.

3 BY MR. PASCHKE:

4 Q. And also in Exhibit 3, it'll show us what was paid as
5 well --

6 A. Okay.

7 Q. -- when we get there.

8 A. Okay. Sorry.

9 Q. Now, while you were making payments, was there any
10 activity going on in terms of collecting information from you
11 for --

12 A. Yes, sir.

13 Q. -- preparing petitions, schedules, and --

14 A. Yes, sir.

15 Q. -- statement of financial affairs?

16 A. We would get an email asking for pay stubs or -- my
17 husband's on workers' comp. They couldn't really use that, but
18 I'd make sure we sent it anyway. They were asking for a
19 driver's license, tax returns. So every time we got that, we'd
20 also get another email back stating that upload was successful
21 or -- we were uploading things, so (indiscernible) to them.

22 Q. Okay. So, in other words, you were providing documents
23 electronically by --

24 A. Yes.

25 Q. -- uploading them through their proprietary system?

1 A. Yes, sir.

2 Q. Okay. Who was the intake person at Recovery Law Group
3 that worked with you?

4 A. I knew her as Patty.

5 Q. Okay. Do you know a last name?

6 A. I did at the time, but I can't remember, like, because we
7 would communicate through emails and telephone.

8 Q. Okay.

9 A. But I can't remember her name off the top of my head.

10 Q. Does the name Patricia Mulcahy (phonetic) ring a --

11 A. Yes --

12 Q. -- bell?

13 A. -- because he even remembered that, too.

14 Q. Okay.

15 A. Yes.

16 Q. Is that the person that you're --

17 A. Yes, sir.

18 Q. -- you're referring to as Patty?

19 A. Yes.

20 Q. Okay. How did you communicate with Patty?

21 A. Through email and telephone.

22 Q. During the intake process when you were uploading
23 information to Recovery Law Group's system, did Patty or
24 someone else at Recovery Law Group other than Ms. Sheppard,
25 who's here today, advise you regarding the difference between

1 secured and unsecured debts?

2 A. Yes, sir.

3 Q. Did they advise you regarding the difference between
4 Chapter 7 and Chapter 13?

5 A. Yes, sir.

6 Q. Did they make a recommendation to you regarding filing
7 Chapter 7 rather than Chapter 13?

8 A. Yes, sir.

9 Q. And did they explain to you what exemptions were available
10 to you under Georgia law?

11 A. Yes, sir.

12 Q. Okay. We made a brief reference to Exhibit 3, so why
13 don't we open up Exhibit 3 to Statement of Financial Affairs,
14 Question 16. And I'll tell you the page number. It's on
15 Page 51 of 67 if you follow the page numbers in the top
16 right-hand corner.

17 A. Okay.

18 Q. And we'll just take a moment to confirm that the amount
19 that you ultimately paid Recovery Law Group was \$1,838
20 according to this response to Question 16.

21 A. Yes, sir.

22 Q. Is that correct?

23 A. Yes, sir.

24 Q. Okay. Now, after --

25 THE COURT: Mr. Paschke --

1 MR. PASCHKE: Yes.

2 THE COURT: -- did you say that Exhibit 3 was going
3 to show the date and the amount of all the payments?

4 MR. PASCHKE: No, not the date and amount but just
5 the ultimate amount -- the ultimate sum that was paid to
6 Recovery Law Group.

7 THE COURT: Okay. Thank you.

8 But it looks like the last payment was September 2nd,
9 2021?

10 MR. PASCHKE: I think that's the date -- yes. I
11 think that's the date that it was finally paid off in full.

12 THE COURT: Okay.

13 Do you agree with that?

14 THE WITNESS: Yes, sir.

15 THE COURT: Okay. Thank you.

16 Go ahead.

17 MR. PASCHKE: Okay.

18 BY MR. PASCHKE:

19 Q. Okay. Now, after you paid off the attorney's fees and
20 the court filing fee in full in early September, what happened
21 then? Did you receive some more emails from Recovery Law
22 Group?

23 A. I remember emailing them stating that I had just
24 finished paying it off. And I got an email from an attorney,
25 Michael Reid, that he was going to be, you know, getting in

1 touch with us. He went over everything through email --
2 everything was always through email -- and made sure -- he said
3 that everything was in order and that an attorney would be in
4 touch with us shortly to go ahead and finalize everything.

5 Q. Okay. Okay. I am going to show you what's been marked as
6 Exhibit 7.

7 MR. PASCHKE: Do you have a copy, Ms. Sheppard?

8 MS. SHEPPARD: Uh-huh.

9 MR. PASCHKE: Okay.

10 BY MR. PASCHKE:

11 Q. Is this the September 6th email that you were just
12 referring to from Michael Reid?

13 A. Yes.

14 Q. Could you please read it for me.

15 A. Yeah. It says "Hi, Rodney and Debora. Now that you are
16 paid in full, we will need you to address a few items, and then
17 we will be ready to file your case. Please provide us the
18 documents described in Email 2, sign and mail us the documents
19 sent to you in Email 3, and complete the credit counseling
20 course.

21 "After you've addressed these emails, please call us to
22 verify our receipt of required items and make sure you do
23 not -- and make sure we do not need anything further. After we
24 verify our receipt of the required items with you, we can get
25 your case prepared for filing. We will complete a prefiling

1 review with you over the phone, and then we can get your
2 bankruptcy paperwork finalized and filed.

3 "Thank you, Michael -- Michael Reid."

4 Q. Is this a fair and accurate representation or a copy of
5 the email that you received from Michael Reid on September 6th?

6 A. Yes, sir.

7 MR. PASCHKE: I would offer this exhibit into
8 evidence.

9 THE COURT: All right. First of all, Ms. Gibson --

10 THE WITNESS: Yes, sir.

11 THE COURT: -- did you print this off of your
12 computer?

13 THE WITNESS: I had provided, if I remember
14 correctly, these to Mr. Paschke, and -- but I have this copy
15 in my computer, yes, sir. I do have these emails saved.

16 THE COURT: Oh, okay. I -- just chain of custody,
17 you forwarded this to Mr. Paschke?

18 THE WITNESS: Yes --

19 THE COURT: Okay. All right.

20 THE WITNESS: -- if I remember correctly. It's been
21 a while.

22 MR. PASCHKE: That's correct, Your Honor.

23 THE COURT: All right. Counsel, you -- did you have
24 an objection, Counsel?

25 MS. SHEPPARD: I do. And I understand that

1 Ms. Gibson is saying that this was -- this is a true and
2 correct copy of what was received, but without being able to
3 authenticate the sender, I -- that's my only issue with it.

4 THE COURT: All right. Well, the Court is going to
5 admit the exhibit --

6 MS. SHEPPARD: That's fine.

7 THE COURT: -- as a document that came to Mrs. Gibson
8 through her computer. And I'll -- I'll let the weight of it --
9 since none of us truly know where it came from, I'll let the
10 weight of it be determined later.

11 MR. PASCHKE: Okay.

12 BY MR. PASCHKE:

13 Q. And let's just -- just to follow up on that, if you're
14 still holding Exhibit 7, could you note for the record,
15 Ms. Gibson, what is the -- what appears beneath Michael Reid,
16 Esquire, down at the bottom of that email?

17 A. "Recovery Law Group," the office number, his direct line,
18 fax number, email, website, "Are debt collectors harassing
19 you?" basically a statement that, if so, you may be entitled to
20 money.

21 Q. Thank you. I think that's good enough.

22 A. Okay.

23 THE COURT: But I've admitted it for -- that over
24 Counsel's objection.

25 MR. PASCHKE: Thank you, Your Honor.

1 BY MR. PASCHKE:

2 Q. Okay. So after you received this email from Michael Reid,
3 did you then comply with the email --

4 A. Yes, sir.

5 Q. -- and submit documentation to Recovery Law Group?

6 A. Yes, sir.

7 Q. Okay.

8 THE COURT: You have a scanner at home?

9 THE WITNESS: No, sir. I would actually take things
10 to work with me that I needed to have scanned in, and I would
11 scan them in at work.

12 THE COURT: And then --

13 THE WITNESS: Attach it to the email, because I had
14 access to our email -- my email -- my personal email at work.
15 So I would attach it and send it that way.

16 THE COURT: Gotcha. Thank you.

17 THE WITNESS: You're welcome.

18 MR. PASCHKE: Your Honor, the next exhibit I'd like
19 to tender to the witness is Exhibit 6.

20 Do you have a copy of Exhibit 6?

21 MS. SHEPPARD: Uh-huh.

22 THE COURT: For the record, I guess my clerk has
23 attached as -- exhibit labels UST 1, UST 2, et cetera.

24 MR. PASCHKE: Okay.

25 THE COURT: I think I asked you before what it said,

1 and you said they were just numbers, but she added the "UST."

2 MR. PASCHKE: Okay. That's fine.

3 THE COURT: All right. Thank you.

4 MR. PASCHKE: When I marked them prior to the --
5 prior to coming here today, I just put Exhibits 1 through 8
6 and --

7 THE COURT: Fair enough.

8 MR. PASCHKE: If they say "UST," that's fine.

9 BY MR. PASCHKE:

10 Q. Exhibit 6 is now in front of you, Ms. Gibson.

11 Can you identify what this is?

12 A. Yes, sir. This is part of the email string that came from
13 Michael Reid requesting for us to go over this information
14 and anything else that was needed for our packet to file our
15 bankruptcy.

16 Q. So this is one of the emails that came to you in early
17 September after you had paid the attorney's --

18 A. Uh-huh.

19 Q. -- fees and the court filing fee; correct?

20 A. Yes, sir.

21 Q. Can you read what it says in the very first block of text
22 containing Numbers 1, 2, and 3.

23 A. Yes, sir. It says "The email contains these attachments."
24 Number 1, "The first attachment to this email is an existing
25 draft of your bankruptcy paperwork. You do not need to sign

1 these papers -- or pages. Please read through them and see the
2 explanation below regarding this paperwork."

3 Number 2, "The second attachment contains a list of
4 creditors listed in your paperwork. These creditors were
5 pulled from our software and are creditors that are indicated
6 on your credit reports from the three credit bureaus. If you
7 owe money to any additional creditors or collectors that are
8 not indicated on this attachment, please send us a complete
9 list with their names, addresses, and the amounts owed."

10 Number 3 says "The third attachment contains all the
11 signature pages of your bankruptcy paperwork that you will need
12 to sign and return to us. Please sign but do not date these
13 documents. These must be mailed to us at Recovery Law Group,
14 309 West 11th Street, Anderson, Indiana 46016."

15 Q. Thank you, Ms. Gibson.

16 Is this part of the email -- is this one of the emails
17 that you provided to our office at our request?

18 A. Yes, sir.

19 Q. And is this, what you're holding in front of you as
20 Exhibit 6 today, a true and accurate copy of the email that was
21 sent to you by Michael Reid on September 2, 2021?

22 A. Yes, sir.

23 MR. PASCHKE: I would ask that this be admitted into
24 evidence as well, Your Honor.

25 THE COURT: Any objection?

1 MS. SHEPPARD: I just have the same objection as I
2 did with the previous one because, as Counsel said, this was
3 sent by Michael Reid, but we have no way to authenticate that.
4 So that's my only objection.

5 THE COURT: All right. Your objection is duly noted,
6 and I will admit Exhibit 6 over your objection. But, for the
7 record, I will again acknowledge that we're not sure where this
8 document came from, but it's admitted.

9 BY MR. PASCHKE:

10 Q. But, again, at the top of this, you can see the email
11 address that is --

12 A. Yes, sir.

13 Q. -- indicated by the sender; correct?

14 A. Yes, sir.

15 Q. And whose email address does it appear to be?

16 A. Michael@recoverylaw.com.

17 Q. Thank you.

18 Now, after you received these emails in early September,
19 did you then cooperate with Michael and upload additional
20 information --

21 A. We actually --

22 Q. -- through the system?

23 A. I went through and printed everything as far as --
24 everything that was required -- tax documents, copies of pay
25 stubs, W-2s, everything that they had asked for in the

1 portal -- and had Mr. Gibson go ahead and mail it off to that
2 address.

3 Q. Okay. So you --

4 A. So they did have paper copies also.

5 Q. Okay. So you did it both ways?

6 A. Yes, sir.

7 Q. And when you say "Mr. Gibson," you're referring to your
8 husband --

9 A. Yes, sir.

10 Q. -- correct? Okay.

11 So all the information was provided directly to Recovery
12 Law Group at this address that's --

13 A. In the --

14 Q. -- noted in the email that we --

15 A. Yes, sir.

16 Q. -- just read; correct?

17 A. In Indiana, yes, sir.

18 Q. All right. All right. And then time passes?

19 A. Uh-huh.

20 Q. And eventually, you receive an email. And I think that's
21 Exhibit 8.

22 Do you have Exhibit 8 in front of you?

23 A. Yes, sir.

24 Q. And I believe this is the email that you received on
25 November 10th, 2021, from Stephanie Sheppard where she

1 basically introduces herself to you --

2 A. Uh-huh.

3 Q. -- as the filing attorney and seeks to arrange a meeting
4 with you to go over the bankruptcy pleadings and finalize them
5 for filing; is that correct?

6 A. Yes, sir.

7 Q. Could you read what it says in that email.

8 A. "Good afternoon, Mr. and Mrs. Gibson. I hope that all is
9 well. My name is Stephanie Sheppard, and I am the attorney
10 that will be filing your bankruptcy case. I would like to
11 schedule a time for us to talk so that I can finalize your
12 petition.

13 "I have availability tomorrow from 9 a.m. to 10 a.m. and
14 then from 1 p.m. to 4 p.m. Please let me know if these time
15 frames work for you. I look forward to speaking with you and
16 helping you navigate the bankruptcy process.

17 "Kind regards, Stephanie."

18 Q. Thank you. And I believe this has already been admitted
19 into evidence.

20 was that the first communication that you received from
21 Ms. Sheppard?

22 A. If I can remember correctly, yes, sir.

23 Q. Okay. So you had no contact with her until this point?

24 A. No, sir.

25 Q. Did you then have a meeting with her?

1 A. If I remember correctly, I was at work that day when I got
2 this and -- or that next day, I got it. I remember either she
3 called me or I called her and said, "I'm at work. I can call
4 you after work."

5 And I don't remember exactly if she called me or I called
6 her, but I talked to her on the way home from work that day,
7 and we went over a lot of things.

8 Q. Okay. So when you say the next day, would that be the day
9 after you received this? This is --

10 A. Yes, sir.

11 Q. This is dated November 10th, so the next day would be
12 November 11th?

13 A. Yes, because I couldn't do those times because I was at
14 work.

15 Q. Okay. And so when did you get off work on November 11th?

16 A. Around 4 or 4:30.

17 Q. Okay. And that's when you had a meeting with
18 Ms. Sheppard?

19 A. Yes, sir. We had a phone conversation.

20 Q. Okay. And so it was a telephonic meeting then?

21 A. Yes, sir.

22 Q. Was it just you and Ms. Sheppard, or was your husband also
23 present?

24 A. At the first time, yes. And I explained to her that I was
25 on the way home and that, when I got home, I would call her

1 back when I was available to get him on the phone, too.

2 Q. Okay. So the first conversation was relatively brief?

3 A. Yes, sir. I mean, we talked roughly -- she went over a
4 brief couple things. But then, like I said, I told her I'd
5 call her back. And when I got home, I called her back while he
6 was available.

7 And I said, "Hey, we're both together now. Is this a good
8 time to talk to you?" And that's when we started discussing
9 everything.

10 Q. Okay. So then when you got your -- got together with
11 your husband and called her back, you had, I guess, a second
12 telephonic meeting --

13 A. Yes, sir.

14 Q. -- with Ms. Sheppard; is that --

15 A. Uh-huh.

16 Q. -- correct?

17 Can you tell me what you discussed at that telephonic
18 meeting.

19 A. She went over everything. She had basically said, "Let
20 me go over your packet with you, make sure everything is here,"
21 you know, to make sure there was nothing that would stop it
22 from having any issues from being filed.

23 She went over our -- the statement of all of our, you
24 know, assets and everything with us, made sure our tax returns
25 were there, made sure our licenses were there. She went over,

1 you know, the -- I don't think she went over the retainer.
2 I can't remember. But we basically did go over all of our
3 income, everything we needed to file to make sure everything
4 was there.

5 She told us -- she went over what Chapter 7 was again.
6 She gave us the options of, hey, this is what you -- the
7 difference between the two. She went over everything again
8 completely with us.

9 Q. Okay. I had noticed, when you were giving your testimony,
10 you were gesturing towards the petition and schedules that
11 are --

12 A. Yes, sir.

13 Q. -- (indiscernible) Exhibit 3.

14 Did she go over those with you --

15 A. Yes, sir. I couldn't think of the words, but yes, sir.

16 Q. -- for accuracy? That's --

17 A. Yes, sir.

18 Q. And was that the -- was that the primary substance of your
19 telephonic --

20 A. Yes, sir.

21 Q. -- conversation?

22 And how long did this conversation last?

23 A. We probably talked 30 to 45 minutes or so, if not longer
24 some, because we were talk- -- I mean, not to tell her
25 business. Like, her child was there, and we got to talking

1 about kids and -- I mean, it was very -- it was legalwise, but
2 we were -- it was a very friendly conversation, too, so . . .

3 Q. Okay. So other than going over the petition, schedules,
4 statement of financial affairs, and related pleadings --

5 A. Uh-huh.

6 Q. -- was there anything else that came up --

7 A. No. I mean --

8 Q. -- that dealt specifically with your bankruptcy?

9 A. No, sir. No, sir.

10 Q. Okay. All right. And according to Exhibit 3, if you take
11 a look at the date at the top of the first page --

12 A. Yes, sir.

13 Q. -- the petition and schedules were ultimately filed on
14 November 14th; is that correct?

15 A. Yes, sir.

16 Q. Okay. So you were introduced by email to Ms. Sheppard on
17 November 10th; correct?

18 A. Correct.

19 Q. And then by the 14th, the petition and schedules were
20 filed?

21 A. Yes, sir.

22 Q. Now, between the 10th and the 14th, were there any
23 significant changes that were made to the schedules before they
24 were filed?

25 A. If I remember correctly, there was something -- there was

1 an email and a conversation her and I had. I had left out
2 something that she had to go back and redo, but I cannot
3 remember exactly what it was. I do know there was something
4 that she had to --

5 Q. Are you referring to a trailer, perhaps, that was --

6 A. Yes.

7 Q. -- that was left off?

8 A. Yes, yeah.

9 Q. I think that was the subject of a --

10 A. Yes.

11 Q. -- post-petition amendment --

12 A. Yes.

13 Q. -- that came to light after the meeting -- first session
14 of the meeting of creditors.

15 Does that ring a bell?

16 A. Yes, sir.

17 Q. Okay. But that was not an amendment that was made prior
18 to the initial filing; correct?

19 A. No, because they told us we didn't have to.

20 Q. Right. Okay.

21 So my understanding is that there were no significant
22 changes --

23 A. No, sir.

24 Q. -- between the 10th and the 14th --

25 A. No, sir.

1 Q. -- with regard to what ultimately got filed with the
2 court.

3 A. No.

4 Q. All right. Now, after the case was filed with the court,
5 you were ultimately notified when your meeting of creditors was
6 going to take place; right?

7 A. Correct.

8 Q. And you understood that it was going to be a telephonic
9 meeting of creditors; correct?

10 A. Yes, sir.

11 Q. Okay. And did Ms. Sheppard represent you at the meeting
12 of creditors?

13 A. Yes, sir.

14 Q. She did; correct?

15 A. Uh-huh.

16 MR. PASCHKE: Okay. All right. I think that's all
17 the questions I have for Ms. Gibson.

18 Oh, wait a minute. Hold on one second. I have to
19 backtrack a little bit.

20 BY MR. PASCHKE:

21 Q. Now, when we were talking about the intake process and I
22 asked you whether staff other than Ms. Sheppard had talked to
23 you about the difference between secured and unsecured debt,
24 Chapter 7 and Chapter 13, and the -- and so on --

25 A. Uh-huh.

1 Q. -- you mentioned that some of those things were discussed
2 by Ms. Sheppard as well?

3 A. Yes.

4 Q. Okay. So when you had your prefiling telephonic meeting
5 with her --

6 A. Uh-huh.

7 Q. -- what did she discuss with you other than going over
8 the petition, schedules, and statement of financial affairs for
9 accuracy?

10 A. Just, basically, about the Chapter 7, how -- what the
11 difference was between that and a 13 and how you did have to
12 pay that back and, basically, just the different parts of --
13 the different parts of bankruptcy, nothing as far as, like --
14 I'm trying to think of . . .

15 Q. Well, I'll just ask the same questions again.

16 Did she specifically discuss with you the difference
17 between secured and unsecured debt?

18 A. Yes, sir.

19 Q. Okay. Did she specifically discuss with you or did she
20 specifically recommend to you that you file Chapter 7 rather
21 than Chapter 13?

22 A. She said, with our situation, that would be a better
23 option.

24 Q. Okay.

25 THE COURT: which would be a better option?

1 THE WITNESS: Chapter 7.

2 THE COURT: Okay.

3 BY MR. PASCHKE:

4 Q. Did she specifically discuss with you the difference
5 between Chapter 7 and Chapter 13?

6 A. Yes, sir.

7 Q. And did she specifically discuss with you what exemptions
8 are available to you under Georgia law?

9 A. Yes, sir.

10 MR. PASCHKE: All right. Now I think I am done with
11 my questions for Debora Gibson.

12 EXAMINATION

13 BY THE COURT:

14 Q. Ms. Gibson --

15 A. Yes, sir.

16 Q. -- do you and your husband own your home?

17 A. No, sir. No, Your Honor, we don't.

18 Q. Do you rent?

19 A. Yes, we do.

20 Q. Okay. Do you own an automobile?

21 A. We did.

22 Q. And when you filed this petition --

23 A. It was included in the bankruptcy.

24 Q. Included in the sense that you gave it back or --

25 A. Yes, sir.

1 Q. All right. What kind of vehicle was it?

2 A. A 2019 Dodge Durango.

3 Q. And how much did you owe on it?

4 A. 18,000.

5 Q. And did you think you could afford to pay for it?

6 A. No, sir.

7 Q. Were you behind in your payments?

8 A. Yes, sir.

9 Q. How many miles were on the car?

10 A. 115,000.

11 Q. Okay. And have you since obtained other transportation?

12 A. No, sir.

13 Q. You don't have a car?

14 A. I drive a truck that his mom is --

15 Q. Oh, yeah.

16 A. Yeah.

17 Q. Okay. You didn't buy one?

18 A. No, sir.

19 Q. Okay.

20 A. No.

21 Q. That's good.

22 All right. And so do you think that the car -- the
23 Durango was worth less than you owed on it actually?

24 A. Yes, sir.

25 Q. And why is that?

1 A. Because of the used car values. They just depreciate as
2 soon as you drive them off the lot. That, and I was paying
3 \$871. And it was -- our situation at the time, which we're
4 still in, it just wasn't feasible.

5 Q. But you think the Durango was worth what -- how much do
6 you think it was worth at the time you filed the case?

7 A. Maybe 10- or 12,000.

8 Q. Okay. All right. Have you and your husband ever been
9 involved in an automobile accident?

10 A. No, sir.

11 Q. Does anybody owe you any money?

12 A. No, sir.

13 Q. Do you have any claims against anyone?

14 A. No. I mean, he's still under the same workers' comp that
15 we were then. He's still injured. He's still not working.

16 Q. Okay. All right.

17 A. So . . .

18 Q. Have you inherited any money or property in your lifetime?

19 A. No, sir.

20 Q. Has anybody recently died from whom --

21 A. No, sir.

22 Q. -- you expect to inherit?

23 A. No, sir.

24 THE COURT: Okay. All right. Any other questions,
25 Mr. Paschke?

1 MR. PASCHKE: None from me. I turn the podium over
2 to Ms. Sheppard.

3 THE COURT: Ms. Sheppard, any questions?

4 MS. SHEPPARD: Just a couple. And you kind of pulled
5 some of it out, Your Honor, because we were going to talk about
6 this car because that was definitely a source of contention.

7 THE WITNESS: Yeah.

8 CROSS-EXAMINATION

9 BY MS. SHEPPARD:

10 Q. And when we filed the bankruptcy --

11 A. Uh-huh.

12 Q. -- I explained to you that the lender was probably going
13 to send a reaffirmation agreement to you?

14 A. Uh-huh.

15 Q. And did I explain to you what that reaffirmation agreement
16 was --

17 A. Yes, ma'am.

18 Q. -- and the consequences of signing that reaffirmation --

19 A. Yes, ma'am.

20 Q. -- agreement? And --

21 A. You told me not to.

22 Q. Because we -- in explaining the process of Chapter 7 to
23 you, you were seeking a fresh start; correct?

24 A. Yes, ma'am.

25 Q. And that was because of --

1 A. Yes.

2 Q. -- the issues with your husband being hurt --

3 A. Uh-huh.

4 Q. -- things of that nature?

5 And as the process went on through the bankruptcy, if you
6 or Mr. Gibson had any questions, were -- was I available to be
7 able --

8 A. Yes, ma'am.

9 Q. -- to answer those questions?

10 So --

11 A. Yes, ma'am.

12 Q. -- you were able to get in contact with me and --

13 A. I'd text you or call you or anything, yes, ma'am.

14 Q. Okay. And I'm going to go back to the retainer agreement
15 that you signed with Recovery Law Group --

16 A. Uh-huh.

17 Q. -- because I was not -- I wasn't in the picture at that
18 point in time.

19 A. Yes, ma'am.

20 Q. But you indicated that you reviewed and you signed the --

21 A. Uh-huh.

22 Q. -- retainer agreement with Recovery?

23 Did you understand how much you were paying for your
24 services for the Chapter 7 bankruptcy?

25 A. Yes, ma'am.

1 Q. All right. And what was your understanding of what your
2 payment was?

3 A. It's around 3- to 400, if I remember correctly, for the
4 filing fees.

5 Q. Uh-huh.

6 A. And the rest of it was attorney -- basically the attorney
7 fees.

8 Q. Okay.

9 A. And the reason why I went with Recovery was because I had
10 called locally around here, and there weren't too many that
11 would make payments. And in our situation at the time, I
12 couldn't afford to do it all at once.

13 Q. Okay. All right. So you understood who you were hiring?

14 A. Yes, ma'am.

15 Q. You understood how much your payments were going to be
16 between the attorney's fees and the court filing fees?

17 A. Yes, ma'am.

18 Q. Were you satisfied with the services that I provided?

19 A. Yes, ma'am.

20 MS. SHEPPARD: Okay. I think that's all that I have.

21 THE COURT: Ms. Gibson, a couple of questions.

22 THE WITNESS: Yes, sir.

23 FURTHER EXAMINATION

24 BY THE COURT:

25 Q. In the petition and the schedule -- Schedule B, Page 17 of

1 67, it shows that Santander was your vehicle lender.

2 A. Yes, sir.

3 Q. And you had 67,000 miles on your Dodge Durango, but you
4 show that it had a value of 27,000.

5 A. Oh, I might have been wrong.

6 Q. well --

7 A. I think that's what they -- yes. I think that's what I
8 owed at the time.

9 Q. well, this says you owe 36,000 and you think it's worth
10 27,660.

11 A. Oh.

12 Q. These are your numbers, so I'm asking --

13 A. And that was, what, 2 years ago, so I'm -- probably was
14 thinking today's numbers, honestly. But, yes, sir, I probably
15 did think it was twenty-seven six.

16 Q. Okay. Fair enough. All right.

17 Now, I noticed among your debts, it looks like a -- do you
18 have a student loan?

19 A. My husband did -- does.

20 Q. And what discussion did you have with Ms. Sheppard about
21 how your bankruptcy would affect that student loan?

22 A. That they would not be -- they would be -- stop the
23 garnishments, but it wouldn't be -- some -- it depended on what
24 kind they were. Some were not forgiven in bankruptcy. I do
25 remember that.

1 Q. Were you garnished for your student loan?

2 A. My husband was.

3 Q. And did they stop garnishing?

4 A. Yes, sir.

5 Q. And have they restarted garnishing?

6 A. No, sir. We've been making little payments at a time --

7 Q. Oh, okay.

8 A. -- while it's been forgiven through the Government right
9 now.

10 Q. Okay. Fair enough.

11 THE COURT: All right. Mr. Paschke?

12 MR. PASCHKE: Okay. Redirect, Your Honor.

13 REDIRECT EXAMINATION

14 BY MR. PASCHKE:

15 Q. There was some testimony just a few minutes ago about the
16 Chapter 7 retainer agreement. Ms. Sheppard asked you whether
17 you knew who you were hiring.

18 who was it that you were hiring through this --

19 A. Recov- --

20 Q. -- chapter 7 retainer agreement?

21 A. Recovery Law Group.

22 Q. That's correct.

23 was there any mention of Ms. Sheppard in any of this
24 Chapter 7 retainer agreement?

25 A. No, sir.

1 MR. PASCHKE: Okay. Thank you. No further
2 questions.

3 THE COURT: Thank you, Ms. Gibson.

4 THE WITNESS: Thank you, Your Honor.

5 THE COURT: All right. So just to catch up,
6 Mr. Paschke, did you tender Exhibit --

7 MR. PASCHKE: I think we have --

8 THE COURT: -- 6?

9 MR. PASCHKE: Exhibits 1, 2, 3, 6, 7, and 8 have been
10 admitted into evidence.

11 THE COURT: Did I admit all six? I know 8 was
12 stipulated to, but we admitted 6 and 7 --

13 MR. PASCHKE: That's correct, Your Honor.

14 THE COURT: -- over Counsel's objection.

15 Okay. Very good.

16 MR. PASCHKE: Now, Your Honor, I had spoken with
17 Ms. Sheppard prior to the hearing today about her offering to
18 give a statement or perhaps I ask her a few questions about her
19 role in the process. And I think she was amenable to doing
20 that, so I would ask if she would be still willing to do that.

21 THE COURT: I think you may -- excuse me. I think
22 you may call her as a witness.

23 MR. PASCHKE: Yes. That's what I intend to do,
24 Your Honor.

25 Ms. Sheppard, I'd like you to take the stand.

1 MS. SHEPPARD: Absolutely. No problem.

2 STEPHANIE SHEPPARD,

3 having been duly sworn, was examined and testified as follows:

4 DIRECT EXAMINATION

5 BY MR. PASCHKE:

6 Q. Thank you for being here today, Ms. Sheppard.

7 A. You're welcome.

8 Q. We've already heard some testimony this morning about

9 RL -- Recovery Law Group, or RLG, as I refer to it.

10 Could you briefly describe your role in the process of
11 bringing a Recovery Law Group case to be filed with the
12 bankruptcy court.

13 A. Sure. So as a -- I think I need to explain what my role
14 was before I can fully answer your question.

15 So I was employed as a non-equity, non-voting partner --
16 that's a mouthful -- of Recovery Law Group. As such, Recovery
17 did our marketing, you know, to be able to bring clients in,
18 things like that. Recovery had -- the clients executed their
19 retainer agreements with Recovery Law Group.

20 So with that being said, Recovery functioned for me as a
21 paralegal, for lack of a better way to describe the situation.
22 Recovery gathered financial documents, as Ms. Gibson has
23 testified to, bank statements, tax returns, things of that
24 nature, and Recovery also did the basic data entry for the
25 petitions and the schedules.

1 Once that was done and the clients had made all required
2 payments, then Recovery would forward me the electronic file.
3 So I would get an electronic file with the financial documents.
4 You know, if there were any lawsuits, child support issues like
5 that, those documents would come over as well -- as well as
6 a -- as well as an electronic Best Case copy of the file.

7 So once I received all of that information, I would review
8 bank statements, tax returns, and any other legal documents
9 that came over as well and then schedule a consultation call
10 with the client so that we could go over the petition and the
11 schedules line by line to ensure that all of the information
12 that they were including in there was true and correct. After
13 that was done, then the case would be filed.

14 Q. Okay. I think that's a pretty good description.

15 And, in fact, you did sign an employment contract with
16 Recovery Law Group; correct?

17 A. That is correct.

18 Q. And that's Exhibit Number 1. I think it might still be --

19 A. Yeah.

20 Q. -- in front of you.

21 I'm just going to open it up. Buttressing your testimony
22 from just a moment ago, under Scope of Services -- this is on
23 Page 2 of 8 under Numeral 1(a), it describes your role as --
24 well, could you read what it says under 1(a).

25 A. 1(a), "Attorney will sign as a non-equity, non-voting

1 partner member of RLG. Attorney's position will be a part-time
2 contract position."

3 Q. Right. I think that describes your role with RLG.

4 Did you have any supervisory authority over paralegals or
5 attorneys in-house collecting data and preparing the initial
6 draft of petitions, schedules, statement of financial affairs,
7 and the like?

8 A. I did not have any managerial or supervisory roles with
9 Recovery Law Group.

10 Q. With regard to the intake process or anything else?

11 A. With nothing.

12 Q. Okay. How were you compensated?

13 A. I was compensated -- and that's actually -- that's on the
14 following page. That would --

15 Q. Right.

16 A. -- be 3 of 8.

17 For each Chapter 7 case, it was \$300. If it was a
18 Chapter 13, it was \$350. And then once the case was confirmed,
19 it was an additional \$350.

20 And the rest of it that they outline and describe, I never
21 got into that, so that -- so those two sections, 2(b) and (c),
22 is primarily the way that I was compensated from Recovery.

23 So what I would do is after -- after cases were filed, I
24 would submit an invoice to the managing partner -- his name was
25 Nicholas Wadja. And I'm probably butchering his last name.

1 It's w-a-d-j-a -- and outline the cases. So it would be the
2 case name, case number, which district it was filed in --
3 because I am admitted in all three districts: Northern, Middle,
4 and Southern District -- and case number and the date that the
5 case was filed.

6 Q. Okay. So, basically, your compensation schedule, if we
7 could call it that, is set forth on Page 3 of 8 under Number 2,
8 "Compensation and Salary," of Exhibit 1; correct?

9 A. That's correct.

10 Q. Okay. And you indicated that you only filed Chapter 7 and
11 Chapter 13 cases, so Paragraphs B and C would be your primary
12 means of compensation; correct?

13 A. That's correct.

14 Q. Okay. And after you submitted an invoice, then you would
15 get paid, for example, \$300 for a Chapter 7 case that you
16 filed; is that correct?

17 A. That's correct.

18 Q. And did you get paid \$300 for filing the Gibsons' case?

19 A. Yes, I did.

20 Q. Okay.

21 THE COURT: Well, let me -- let me digress a moment.
22 I find this a little fascinating.

23 Did you file any Chapter 13 cases?

24 THE WITNESS: Yes.

25 THE COURT: How many?

1 THE WITNESS: Not a whole lot. I want to say maybe
2 about -- maybe about four or five. There wasn't a whole lot of
3 Chapter 13 cases.

4 THE COURT: All right. And as part of a package of
5 documents that you filed with the court, you would have a
6 disclosure of fees; right? But I'm assuming -- I'm assuming,
7 if you got paid \$350 for a Chapter 13 by RLG, they got paid
8 a lot more; right?

9 THE WITNESS: Correct. And I -- and I'll say this
10 to you. Once the cases were sent over to me, I did not get the
11 retainer agreement between Recovery and the client.

12 THE COURT: So how did you file -- prepare and file
13 the Rule 2016 disclosure of compensation statement in the
14 Chapter 13?

15 THE WITNESS: So that information, as far as what the
16 debtors had paid, was already included because once the -- once
17 the case was sent over to me, it was a Best Case file, so all
18 of that information was already plugged in.

19 I want to say that my bank- -- my Chapter 13 cases
20 were primarily in the Middle District of Georgia, and the
21 Middle District has a cap on what your fees can be in a
22 Chapter 13 case. So I had to let Recovery know, look, you
23 can't charge these people more than 3,250, because that's the
24 cap on a Chapter 13 case, so they would know that their fees
25 could not exceed that 3,250.

1 THE COURT: All right. But did you prepare the
2 Rule 2016 statement in each of those Chapter 13 cases?

3 THE WITNESS: No.

4 THE COURT: They prepared it?

5 THE WITNESS: Yes.

6 THE COURT: All right. And, I mean, is that
7 something you're going to be going over, Mr. Paschke?

8 MR. PASCHKE: I think we will, Your Honor.

9 THE COURT: Okay. All right. I didn't mean to
10 interrupt. Go ahead.

11 THE WITNESS: No worries.

12 MR. PASCHKE: No problem.

13 THE WITNESS: Like I said, I'm just --

14 BY MR. PASCHKE:

15 Q. We're just talking about --

16 THE WITNESS: -- (indiscernible).

17 BY MR. PASCHKE:

18 Q. We were just talking about your employment contract with
19 RLG. Let's skip over for a second and talk about the retainer
20 agreement -- the Chapter 7 retainer agreement between RLG and
21 Rodney and Debora Gibson. I don't have --

22 A. That was Exhibit 1?

23 Q. Yeah. This is Exhibit 2.

24 A. Oh, okay.

25 Q. Now, I don't have a lot of questions about this. I think

1 it's pretty self-explanatory. I just want to ask a couple of
2 follow-up questions that I don't think Mr. or Mrs. Gibson could
3 answer.

4 This Chapter 7 retainer agreement, or this copy of it that
5 we were able to offer the court today, was not provided to me
6 by Mr. and Mrs. Gibson, but it was forwarded to me by you;
7 correct?

8 A. That's correct.

9 Q. And you testified just a moment ago that this is not
10 one of the documents that you would typically receive when a
11 package of bankruptcy materials comes to you for filing;
12 correct?

13 A. That's correct.

14 Q. So you had to go to Recovery Law Group to obtain a copy of
15 this so that you could forward it to me; correct?

16 A. That is correct. I contacted Recovery and said that the
17 UST was requesting a copy of the Chapter 7 retainer agreement,
18 and they forwarded the agreement to me.

19 Q. Now, is this the -- is this the only agreement that
20 exists? In other words, there's not another one floating
21 around with Mr. Gibson's signature on it somewhere, is there?

22 A. No. This is all that I have. This is all that I'm aware
23 of.

24 Q. Okay. Because I think we -- I think we asked to see if
25 there was any other contracts, and I think the representation

1 was that this is the only agreement that exists; correct?

2 A. This is what they sent me, and this is as far -- as far as
3 I'm aware of, this is all that exists.

4 Q. Okay. I appreciate you confirming that.

5 Let's turn our attention now --

6 THE COURT: well --

7 BY MR. PASCHKE:

8 Q. -- to --

9 THE COURT: -- while we're discussing it, what is the
10 last page, this HelloSign audit trail? What -- is that
11 supposed to indicate that Mr. -- that Rodney signed it? I see
12 a little signature.

13 THE WITNESS: So looking at this document history,
14 Your Honor, it shows when the agreement was sent out. So the
15 agreement was sent out June 15th, 2021, at 11:05 UTC. I'm not
16 sure what time that is. That was somebody's time, maybe
17 someone on the west coast, mountain time. I don't know. But
18 then it shows that it was viewed on June 15th, 2021, at 11:10,
19 and then it was signed on June 30th, 2021, at 4:13.

20 THE COURT: All right. So that little scribble, is
21 that --

22 THE WITNESS: That's not his actual signature.

23 THE COURT: what?

24 THE WITNESS: That's not his actual signature.

25 THE COURT: Yeah. But, I mean, it looks like he at

1 least initialed it; is that --

2 THE WITNESS: So what I -- and Mr. Paschke and I
3 actually had a conversation about this, and what I was
4 explaining to him is when you're doing electronic signatures
5 and you have two parties that need to sign it, the best way to
6 do that is to be able to have two different email addresses.
7 The georgiabulldog email address belongs to Mr. Gibson, which
8 is why his name appears there. But while it came into his
9 email, Mrs. Gibson is the one that actually executed it.

10 So in order to have both of their signatures on this
11 document, it would have needed to have been sent to them and
12 had to have two separate email addresses, so Mr. Gibson's email
13 address and then Mrs. Gibson, you know, assuming that she has
14 a separate email address. That would have needed to have been
15 put in so that both signatures could have been captured.

16 MR. PASCHKE: And, Your Honor, the only point I'm
17 making is that there's no written-out electronic signature for
18 Mr. Gibson. The last -- you know, I mentioned in my motion,
19 Your Honor, in a footnote that the last page of Exhibit 2 does
20 show a viewing history and that it may have been signed by
21 Mr. Gibson on June 30th, but the point being is that there's no
22 actual copy with his signature on it that was provided to me or
23 that was available to the debtors or to Ms. Sheppard when she
24 requested one.

25 Okay. So we talked about the employment contract

1 between Ms. Sheppard and RLG. We talked about the retainer
2 agreement between the Gibsons and RLG. Ms. Sheppard explained
3 her role in the process. And I'm just going to paraphrase and
4 see if she agrees with my summary of her testimony.

5 BY MR. PASCHKE:

6 Q. It's my understanding, based on your testimony, that staff
7 people within Recovery Law Group prepared the initial draft of
8 the petition, schedules, statement of financial affairs, and
9 related pleadings.

10 A. Correct.

11 Q. And that would include the statement of attorney
12 compensation that appears at the end of -- I guess it's
13 Exhibit 3; correct?

14 A. Correct.

15 Q. Okay. And we already established that you don't have any
16 supervisory authority over anybody at -- in-house or any other
17 staff at Recovery Law Group; correct?

18 A. That is correct.

19 Q. Okay. So let's turn our attention now to Exhibit 3 for
20 a second. And I'm just going to open up to Page 7 of 67, and
21 you'll see the signature block here.

22 A. Uh-huh.

23 Q. And you'll see the signature that you signed as
24 attorney's -- or debtors' counsel of record; correct?

25 A. Correct.

1 Q. And it says "Stephanie K. Sheppard," and it references
2 Sheppard Legal Services, LLC; correct?

3 A. Correct.

4 Q. But there's no mention of Recovery Law Group, is there?

5 A. No, sir.

6 Q. Okay. So let's go to -- let's go to the attorney
7 compensation disclosure form. And I think it's at the tail end
8 of Exhibit 3. It's on Page 64 of 67.

9 A. Okay.

10 Q. Okay. Now, a moment ago, I think you testified that
11 at least the initial draft of this document would have been
12 prepared by Recovery Law Group in-house; is that correct?

13 A. That's correct.

14 Q. So this would have been one of the prepared documents that
15 came to you with the bankruptcy file when you were preparing to
16 meet with Mr. and Mrs. Gibson to go over it; correct?

17 A. That's correct.

18 Q. Okay. So did you review this document --

19 A. Yes.

20 Q. -- for your own -- for your own benefit?

21 A. Uh-huh. I did.

22 Q. And did you -- did you think that it needed any changes to
23 be made to it?

24 A. It covered the fees that the Gibsons paid, court filing
25 fees, that they had already been paid; that there was -- let me

1 see there -- (inaudible). I had agreed not to share their
2 close -- compensation.

3 Q. I guess it was a yes-or-no question. If you didn't --

4 A. I was just looking over it, so yeah.

5 Q. If there's -- if there's no -- if there's nothing that you
6 thought needed to be changed, then, obviously, the --

7 A. Right.

8 Q. -- answer would be no.

9 I'm just going to point out a couple of things. It says
10 "Prior to the filing of this statement, I have received
11 \$1,500."

12 But you didn't receive that personally; correct?

13 A. I didn't -- that's correct. I did not receive --

14 Q. And it was paid to Recovery Law Group --

15 A. That was --

16 Q. -- correct?

17 A. -- paid to Recovery.

18 Q. And \$1,500 is the amount of the attorney's fees only;
19 correct?

20 A. Correct.

21 Q. The full amount that was paid to Recovery Law Group was
22 the 1,500 in attorney's fees plus another three hundred and --

23 A. -38.

24 Q. -- thirty-eight dollars for the court filing fee; correct?

25 A. Correct.

1 Q. Okay. And down at the bottom of the page, we see the
2 certification, "I certify that the foregoing is a complete
3 statement of any agreement or arrangement for payment to me for
4 representation of the debtors in this bankruptcy proceeding."

5 And that is signed. Again, there's a signature block for
6 you, Stephanie Sheppard; correct?

7 A. Correct.

8 Q. And, again, the reference here is Sheppard Legal Services,
9 LLC; correct?

10 A. Uh-huh. That's correct.

11 Q. And there's no reference here to Recovery Law Group;
12 correct?

13 A. That's correct as well.

14 Q. All right. Nor is there any reference in the disclosure
15 of compensation that Recovery Law Group was receiving any
16 portion of the \$1,500 in attorney's fees; correct?

17 A. In the disclosure -- in the disclosure?

18 Q. In the disclosure of compensation of attorneys on Page 64
19 of 67.

20 A. Right. That is not -- is not indicated there. It's
21 indicated in the statement of financial affairs.

22 Q. That's correct.

23 A. And let me go ahead and clear up something for you because
24 you're referencing my signature block here. So once the files
25 were sent over to me -- like I said, there was a Best Case file

1 that was sent to me electronically from Recovery Law Group.

2 I would take that electronic file and open it up into
3 my software because I, too, maintain the Best Case software
4 because I -- I do bankruptcy work independent of Recovery Law
5 Group. You know, I have my own ECF so that I can e-file. So
6 once I open up the documents in there, my signature block
7 attaches, which has my name and my firm information in here.

8 I provided my own Best Case software. That's not
9 something that Recovery provided to me. Same thing with my
10 ECF. I had my ECF filing information long before I started
11 working with Recovery, so that's why you will see my name and
12 my firm listed there.

13 Q. If we take a look at Page 51 of 67, I think that's the
14 Statement of Financial Affairs Question 16 that talks about --

15 A. Give me the page number again, Mr. Paschke.

16 Q. Yeah. It's Page 51 of 67. I think you just referred to
17 it a moment ago in your testimony.

18 A. Yes.

19 Q. And this is the entry on the statement of financial
20 affairs that talks about what Recovery Law Group ABC received;
21 correct?

22 A. Yes.

23 Q. Okay. And, again, in this -- in this disclosure, there's
24 no disclosure made that you have any association or affiliation
25 with Recovery Law Group; is that correct?

1 A. This just simply says that Recovery Law Group received
2 \$1,838 in attorney's fees and filing fees.

3 Q. Thank you. Let's see. Where do we go next?

4 Okay. I think we're just going to go over some ground
5 that we may have already covered with Ms. Gibson, but we'll get
6 your point of view on it.

7 Let's start with Exhibit 8. And that's the
8 introduction --

9 A. That's my email.

10 Q. That's the introduction email that you sent to the
11 Gibsons.

12 A. Yes.

13 Q. That's the email introduction that you sent to the Gibsons
14 to set up a meeting to go over their -- go over and finalize
15 their petition, schedules, statement of financial affairs, and
16 related pleadings so that they could be filed with the
17 bankruptcy court; is that correct?

18 A. That's correct.

19 Q. Okay. And you then subsequently arranged to have a
20 telephonic meeting with them; correct?

21 A. Correct.

22 Q. And that -- did that occur the next day, as they
23 testified?

24 A. Yes.

25 Q. Okay. And did you go over the bankruptcy pleadings with

1 them at that time?

2 A. I did.

3 Q. Okay. And approximately how long were you at it?

4 A. We probably -- I want to say maybe, like, 45 minutes to an
5 hour, we were on -- that we were on the phone.

6 Q. Okay. And I think you testified earlier that you went
7 over the petition, schedules, statement of financial affairs on
8 more or less a line-by-line basis; is that correct?

9 A. That's correct.

10 Q. Okay. And were there any significant changes that you had
11 to make between the time that you received the package from
12 Recovery Law Group and its initial Best Case draft and the time
13 that you ultimately filed it? Were there any significant
14 changes that you had to make?

15 A. There weren't any significant changes. There were a
16 couple of changes that the Gibsons made but nothing
17 far-reaching.

18 Q. Okay. And as we already discussed, you did ultimately
19 file the case; correct?

20 A. That's correct.

21 Q. You did appear at the meeting of creditors?

22 A. Yes, sir.

23 Q. And, ultimately, you did get paid by Recovery Law Group;
24 correct?

25 A. That's correct.

1 Q. Okay. And the amount of your payment, I think we
2 established, was \$300?

3 A. That's correct.

4 Q. And your understanding, I guess, is that the remaining
5 \$1,200 of attorney's fees was retained by Recovery Law Group?

6 A. That would be my best guess.

7 MR. PASCHKE: All right. At this point, I think I
8 don't have any further -- I don't have any further questions.

9 THE COURT: Let me just ask a few questions,
10 Ms. Sheppard.

11 THE WITNESS: Certainly, Your Honor.

12 EXAMINATION

13 BY THE COURT:

14 Q. where did you go to law school?

15 A. Emory.

16 Q. And what year did you graduate?

17 A. 2016.

18 Q. where did you attend undergrad?

19 A. University of West Georgia.

20 Q. In Carrollton?

21 A. In Carrollton, yes, sir.

22 Q. Okay.

23 A. It was a West Georgia college (indiscernible).

24 Q. Yeah, yeah. And you said you have your own practice now?

25 A. Yes, sir.

1 Q. Do you have an office space where clients can come meet
2 you?

3 A. Yes, sir.

4 Q. And where is that located?

5 A. My current address is 2727 Paces Ferry Road, Building 1,
6 Suite 750, Atlanta 30339. And I've been there almost since
7 about September of 2022. Prior to that, I was at 1141 Sheridan
8 Road. My landlord sold the building, so I had to find another
9 home.

10 Q. Okay. And do you practice by yourself?

11 A. Yes.

12 Q. Okay. Do you have staff? paralegals?

13 A. I do not have any staff.

14 Q. Okay. And do you practice anything other than bankruptcy?

15 A. Yes. My practice is -- and it's tilting a little more
16 now, but it used to be almost equally divided between
17 bankruptcy work and probate and estate planning. You know,
18 courtesy of COVID, my probate business got a boost, so -- but,
19 yeah, those are my two areas that I practice in.

20 Q. Okay. Do you still accept cases from RLG?

21 A. I do not. I terminated my agreement with them June of
22 2022. Yeah, it was June.

23 Q. Okay. And any other courts in -- you practice just in
24 Georgia; right?

25 A. That's correct.

1 Q. Have any of the other bankruptcy judges had to talk to you
2 about your relationship with RLG?

3 A. No.

4 Q. Okay. All right. So one of the things that I find
5 interesting about this business model is the question of the
6 timing of the petition -- well, in particular in this case, the
7 timing of the petition.

8 would you agree with me that bankruptcy matters are
9 sometimes very time-sensitive?

10 A. Oh, absolutely.

11 Q. For example, when people are getting garnished, they want
12 immediate relief; right?

13 A. That's correct.

14 Q. So did Mr. Gibson continue to get garnished between the
15 June and November time frames?

16 A. I am not sure. I -- like I said, when I sent out my email
17 to them, I probably got the case within a day or two because my
18 turnaround was kind of quick for the very reason that you
19 cited. So prior to receiving the file, I could not tell you
20 what transpired in the case.

21 Q. Okay. Yeah. So, I mean, I'm not saying the delay was
22 caused by you.

23 They -- RLG brings you in at the last minute when they've
24 done all their --

25 A. Uh-huh.

1 Q. -- their work?

2 A. And I've talked to people before that said that their
3 process had gone on for almost a year.

4 Q. Okay. All right. Now -- so you're -- when you do other
5 bankruptcy cases, you're familiar with the no-look fee you get
6 in court; right?

7 A. Yeah.

8 Q. Is it, what, 4,500? 5,000?

9 A. 45- --

10 Q. Okay.

11 A. -- unless it's been increased. Let me know.

12 Q. Well, I'm just curious. In a Chapter 13, at least the
13 lawyers that appear before me, they sometimes come to court,
14 what, five or ten times in a single case.

15 A. With a 13?

16 Q. Yeah.

17 A. Absolutely.

18 Q. Yeah. So I just -- I don't understand how you could do it
19 for 350 bucks.

20 A. So I'll explain because most people would look at this and
21 be like -- I had a colleague that looked at it, and he was
22 like, "Are you" -- he -- it boggled him. He was like, "How and
23 why?"

24 So part of the how is -- or part of the why is this. And
25 I knew that, especially in Middle -- in the Middle and Southern

1 Districts, sometimes people could not find representation. And
2 it was with pleasure that -- it was the pleasure that I had to
3 be able to service people who may not have otherwise been able
4 to get counsel. So I was willing to do that.

5 Like I said, I do have another side of my practice with my
6 probate work or whatnot. So while I wasn't necessarily making
7 a whole lot of money with these people, I was able to help
8 people and be able to provide service to some people who may
9 not have otherwise been able to get it.

10 Q. Okay. All right. I actually thought your explanation
11 was going to be that you didn't have an office and, therefore,
12 financially, it made sense because you could just do everything
13 online and show up to court and, if you made 350 bucks, it
14 would work out to a -- you know, a wage, so to speak. But
15 I'm -- so -- but anyway, I accept your explanation about that.

16 Are you -- the disclosure form that we looked at at
17 Page --

18 A. I think it was 51. Let me -- no. The disclosure was 64,
19 I think. Yeah, 64.

20 Q. Yeah. So it references Bankruptcy Rule 2016(b).

21 A. Uh-huh.

22 Q. You're familiar with that rule; right?

23 A. Yes, sir.

24 Q. And what do you -- what's your understanding of that rule?

25 A. That I would be the attorney that's receiving funds for

1 the legal services.

2 Q. All right.

3 A. That's streamlined.

4 Q. Short version?

5 A. The CliffNotes version.

6 Q. All right. Well -- so I guess my concern is that the
7 actual requirement -- or one -- part of 2016(b), in addition
8 to the statement required, which this document is designed to
9 fulfill, I believe, it requires that you indicate whether the
10 attorney has shared or agreed to share the compensation with
11 any other entity. And I think the -- you know, one of the
12 several problems with this case, as the U.S. Trustee sees it,
13 is that -- that you did share the fees.

14 And I'm wondering whether you -- you view your sharing --
15 that you didn't share your 350 -- your 300; therefore, you
16 didn't need to disclose that. Or do you view it that the total
17 \$1,800 fee was shared between you and RLG?

18 A. I don't think that -- I don't think that I shared the fee.
19 And part of -- and you're the expert. You do this daily.
20 Because of my employment relationship with RLG, I'm not sure --
21 let me find it in here.

22 So in my -- in my employment agreement, it -- well, not --
23 this is not the employment agreement. This is the retainer
24 agreement that Mrs. Gibson signed. They go over and say that
25 the compensation will not be shared with any other person

1 unless they are a member of the firm.

2 So I was a member of the firm even though I was non-voting
3 and non-equity. So, you know, I didn't tell anybody what to
4 do. I didn't make any decisions. But I was a member of this
5 firm.

6 Q. Okay.

7 A. And I was -- like I said, I'm just not real sure, but I
8 don't -- like I said, I don't view it as I shared --

9 Q. Okay.

10 A. -- fees.

11 Q. All right. That's fair enough.

12 THE COURT: All right. Very good.

13 All right. Mr. Paschke, do you have any other
14 questions?

15 MR. PASCHKE: Hold on one second. I think we've
16 covered the bases, Your Honor. And I don't want to draw out
17 the proceedings any longer, so I think I'm going to conclude
18 my questions at this time, Your Honor.

19 MS. SHEPPARD: Can I just -- if I could, I'll just
20 add that I think that what drew the trustee's attention is the
21 fact that, on the disclosure --

22 (An off-the-record discussion was held.)

23 MS. SHEPPARD: On the disclosure and the other form,
24 because the signature block has my firm's -- my individual
25 firm's information on it rather than Recovery's information on

1 it. So if -- based off of what I'm understanding, if -- on the
2 disclosure, if it was signed off and I -- and it was reflecting
3 Recovery Law versus Sheppard Legal Services, then there
4 wouldn't have been an issue with it.

5 And like I explained to the Court, once these files
6 were sent to me, I opened them up in my bankruptcy -- my
7 personal Best Case bankruptcy software, which autopopulates all
8 of my information. And, of course, when I'm doing my ECF
9 filings, that information is automatic- -- you know, from when
10 I set up the account, all of my information automatically
11 populates there.

12 But -- let me see here. I just made a couple of
13 notes. Okay. That was that. I think that's all -- I think
14 that's pretty much all that I have, Your Honor.

15 THE COURT: Okay. Very good.

16 Anything else?

17 MR. PASCHKE: Nothing from the U.S. Trustee,
18 Your Honor.

19 THE COURT: All right. Any other testimony or
20 evidence you want to present or . . .

21 MS. SHEPPARD: No. Actually, Your Honor, I had
22 printed out the contract. I printed out the retainer
23 agreement. So when Mr. Paschke and I spoke this morning, we
24 pretty much had the same --

25 THE COURT: Right, right. Okay. I think I have a

1 good, fulsome record before me, so -- all right. Well, you can
2 take your seat.

3 And, Mr. Paschke, do you want to argue the case?

4 MR. PASCHKE: Your Honor, the -- the arguments that
5 we listed in our -- in our motion are the ones that we're
6 standing on today, and, in brief, I'll try to go through them.

7 First, the disclosure compensation form filed
8 pursuant to Section 329 and 20- -- Rule 2016(b)(6) that
9 Attorney Stephanie Sheppard agreed to accept \$1,500 to
10 represent the debtors in their bankruptcy case and that she,
11 in fact, received \$1,500 from the debtors prior to filing the
12 case -- again, the form does not disclose any affiliation or
13 fee sharing with Recovery Law Group. The disclosure states
14 that Ms. Sheppard did not share compensation with anyone who
15 was not a member or an associate of her law firm. In the
16 certification section of the disclosure form, Ms. Sheppard's
17 law firm is identified as Sheppard Legal Services, LLC.

18 Obviously, there's some contrast between the
19 disclosure of attorney compensation and the disclosure in
20 response to Line 16 of the statement of financial affairs,
21 which states that Recovery Law Group got paid \$1,838 for the
22 attorney fees plus the court filing fee. But even in that
23 disclosure, Your Honor, there's no mention of any affiliation
24 between Ms. Sheppard and RLG.

25 Section 329 governs the disclosures that need to be

1 made. And I cite a number of cases in my brief, but I want to
2 make the point that Ms. Sheppard is shown both as the attorney
3 of record on the petition and as the attorney signing the
4 disclosure of compensation form.

5 According to the debtors, Ms. Sheppard did not appear
6 to perform many of the legal services disclosed as being
7 covered by the flat fee. In my view, most of these services
8 were, in fact, performed by the staff at RLG that actually did
9 the meat of the task of collecting information and assembling
10 the initial draft of the petition, schedules, statement of
11 financial affairs, and even the attorney compensation
12 disclosure form, which apparently was not modified much between
13 the time that it was received by Ms. Sheppard and the date that
14 it was ultimately filed with the Court.

15 Yes. Other RLG staff handled all the pre-petition
16 services. And in a Chapter 7 filing, that's the majority of
17 the work. Once a case is prepared for filing and it gets
18 filed, there's not much left to do other than represent the
19 debtor at the 341 meeting and wait for the discharge order to
20 be entered. And this appears to be one of those cases.

21 Ms. Sheppard's agree- -- arrangement with RLG that
22 she was paid \$300 for filing the petition was not disclosed
23 anywhere in the statement of financial affairs or in the
24 attorney compensation disclosure form. As a result, we view
25 Section 329 of Bankruptcy Rule 2016(b) were not complied with;

1 the disclosures were incomplete; and that the Court is well
2 within its grounds to order disgorgement of fees in favor of
3 the debtors.

4 Section 707(b)(4)(C) is also in play here, which
5 requires that when an attorney signs a petition, the signature
6 constitutes certification that the attorney has performed a
7 reasonable investigation into the relevant circumstances.

8 Among other responsibilities, the duty of reasonable
9 investigation requires an attorney to explain the requirement
10 of full, complete, accurate, and honest disclosure of all
11 information required of Debtor and, most importantly, to ask
12 probing and pertinent questions designed to elicit full,
13 complete, accurate, and honest disclosure of all information
14 required of a debtor.

15 Again, most of that was done in the first instance by
16 Recovery Law Group. And that makes sense because of the way
17 that the fees were disbursed in this case -- or split between
18 Ms. Sheppard and Recovery Law Group. \$1,500 of attorney's fees
19 were split 1,200 for Recovery Law Group, who did the lion's
20 share of preparing the petition, schedules, statement of
21 financial affairs, and related documents for filing, and then a
22 rather minor amount, \$300, to Ms. Sheppard for filing the case
23 and appearing at the 341 meeting.

24 The small fee paid to Ms. Sheppard is problematic for
25 another reason. It disincentivizes local contract attorneys

1 like Ms. Sheppard from investing any significant amount of time
2 in providing pre-petition services and counseling for debtors.
3 And, presumably, the local contract attorney is the one that's
4 familiar with Georgia law and local bankruptcy court case law
5 involving exemptions, state relief, (indiscernible) avoidance,
6 and any number of common issues that arise in bankruptcy cases
7 in the Southern District of Georgia.

8 And for that reason, we believe that the Court has
9 broad discretion under Section 329(b) to disallow and require
10 the return of excessive fees here because the fees charged to
11 the debtors were not properly or accurately disclosed. And
12 because most of the legal services that Debtors received were
13 performed by RLG staff that did not appear to be licensed in
14 Georgia, the Court should order RLG and Ms. Sheppard to return
15 the fees paid by the debtors.

16 Next, we have debt relief agency provisions. These
17 are found in Section 528. Section -- the debt relief agency
18 must execute a written contract with the assisted person and
19 provide the assisted person with a copy of the fully executed
20 and completed contract. Where this requirement is not
21 satisfied, the contract is void and unenforceable. This is
22 found at Section 528(a)(2) and Section 526(c)(1).

23 Here, the electronic signature on behalf of RLG
24 appeared only as "Nicholas" and is, therefore, incomplete.
25 That's the signature that appeared on behalf of RLG. Moreover,

1 the retainer agreement lacks the electronic signature of
2 Rodney Gibson, one of the codebtors in this joint case. For
3 the foregoing reasons, the contract is not fully executed and
4 should be deemed void.

5 In addition, a debt relief agency must provide a copy
6 of the contract to the assisted person. The contract must
7 clearly explain the services such agency will provide to such
8 assisted person and the fees or charges for such services and
9 the terms of the payment. Here, the retainer agreement is
10 3 pages long, and Ms. Mulcahy's involvement or that of any
11 other attorneys not licensed in Georgia is conspicuously
12 absent.

13 Details related to the arrangement with Ms. Sheppard
14 are also left out, as is any mention of Sheppard Legal
15 Services, LLC. Ms. Sheppard's actual involvement was limited
16 and did not include all of the services that were mentioned
17 in the retainer agreement or that were disclosed as being
18 informative by Ms. Sheppard in the disclosure of compensation
19 form even though Ms. Sheppard, not RLG, is the attorney of
20 record in the case.

21 And the point that we're making here is that those
22 services, the pre- -- the majority of the pre-petition
23 counseling and petition preparation were performed by RLG.
24 They did the work. They get the lion's share of the fee. And
25 then, at the last minute, the local attorney comes in to file

1 the case under a local ECF case filing privileges. That's why
2 she receives \$300 per Chapter 7 case and RLG receives 1,200,
3 which is 80 percent of the total attorney's fees in the case.

4 In addition, there are other interests that arise
5 under this business model, again, under Section 105, 504, and
6 even potentially the unauthorized practice of the law with
7 regard to RLG staff and attorneys who are preparing bankruptcy
8 petitions and advising clients here in the Southern District of
9 Georgia about their rights and responsibilities under Georgia
10 law without being licensed to practice in the state of Georgia
11 or admitted to practice in the Southern District of Georgia.

12 RLG prepares the first draft of all petitions,
13 schedules, including the schedule of exemptions, and we believe
14 that constitutes the practice of law. In a Chapter 7
15 bankruptcy case, that is the lion's share of the attorney work
16 that goes into filing a case: pre-petition counseling,
17 pre-petition preparation of documents for filing so that a
18 bankruptcy case can be filed complete with all the petition,
19 schedules, and related pleadings that must be filed in order to
20 complete a filing and get a case to the point of discharge in
21 Chapter 7.

22 RLG has engaged in a business model under which the
23 services provided are split between two firms. In this case,
24 the split is between R- -- Recovery Law Group and Sheppard
25 Legal Services, LLC, but only one retainer agreement is given

1 to the debtors. And based on the documents that are filed with
2 the Court, which the U.S. Trustee has the obligation to review,
3 it was not apparent to us that there was any relationship
4 between Recovery Law Group and Sheppard Legal Services based on
5 the disclosures that were filed.

6 Under the model that we've discussed today, staff at
7 RLG are not licensed to practice in Georgia or admitted in the
8 Southern District to provide a substantial proportion of the
9 pre-petition services and counseling, but -- and I anticipate
10 that RLG would likely argue that this practice is legitimate
11 because a local contract attorney is paid a nominal fee to file
12 the petition and appear at the meeting of creditors.

13 Under similar circumstances, at least one other court
14 has found that this business model violates Section 504(a) by
15 engaging in prohibited fee sharing and also constitutes the
16 unauthorized practice of the law by people outside the state
17 of Georgia not licensed to be here but, nevertheless, preparing
18 petitions and schedules for filing here in our state.

19 The case I'm referencing is *In re Deighan Law, LLC*,
20 which is 637 Bankruptcy Reporter 888.

21 THE COURT: Is this in your motion?

22 MR. PASCHKE: Yes, it is.

23 THE COURT: Okay. Thank you.

24 MR. PASCHKE: And it's at -- it's a bankruptcy court
25 decision from the Middle District of Alabama from 2022, so it's

1 a fairly recent decision.

2 And for all the reasons that we've stated in our
3 motion, Your Honor, we would ask that the attorney's fees that
4 the debtors paid in this case be forfeited as a sanction for
5 the various rules violations and statutory violations that we
6 have pointed out in our motion.

7 Thank you, Your Honor.

8 THE COURT: All right. Ms. Sheppard, do you wish to
9 be heard?

10 MS. SHEPPARD: Thank you, Your Honor. I respectfully
11 disagree with Mr. Paschke's depiction that I did not perform
12 the duties that were outlined in the retainer agreement. So
13 while Recovery did collect documents and somebody -- I don't
14 know who. I can't say who did what. But someone put together
15 the initial petition and schedules. I sat down with my
16 clients, and I went back over that line by line, step by step
17 to ensure the accuracy of that information. Trust but verify.

18 The Gibsons -- like I said, we went over all of that
19 information, so -- and prior to me even meeting with them, I
20 had an opportunity to review their bank statements. I had an
21 opportunity to review those tax returns so that, when I met
22 with them, if I had any questions or concerns, I could discuss
23 that with them and work through that process.

24 You heard testi- --

25 THE COURT: How did you have access to those

1 documents?

2 MS. SHEPPARD: They were forwarded to me.

3 THE COURT: By RLG?

4 MS. SHEPPARD: Yes, sir.

5 THE COURT: Okay. Thank you.

6 MS. SHEPPARD: Yeah. Everything was sent to me
7 electronically.

8 THE COURT: At each step along the way or just at the
9 very end?

10 MS. SHEPPARD: Just at the very end.

11 THE COURT: Okay.

12 MS. SHEPPARD: But once I received -- that's why
13 it would take me about 48 hours to reach out to the clients
14 to schedule the consultation, because I would review those
15 documents prior to reaching out to them.

16 THE COURT: Understood.

17 MS. SHEPPARD: You know, like I said, there were all
18 kinds of things that we did. We looked at the valuation of the
19 vehicle, you know. That was something that was really creating
20 an issue for the Gibsons in their budget because that car
21 payment was almost \$900 a month. We looked at what it was
22 worth. We looked at what they were paying for it.

23 And people get real attached to their stuff
24 sometimes, and it's my job to say to them, "You're in a
25 bankruptcy. You can't afford this. And you might like your

1 car. You might even love your car. But if your goal is to
2 have a fresh start, you've got to let it go."

3 So, like I said, I did all of those things with them.
4 I was there with them at the 341 creditors' meeting. If they
5 had questions or concerns in between that time, they were able
6 to contact me. But I firmly believe that I provided the
7 services that were outlined in the retainer agreement.

8 And while it was not my personal retainer
9 agreement -- it was Recovery's retainer agreement because I was
10 working for Recovery -- I'm still having a hard time trying to
11 understand the description of fee sharing because I don't know
12 how I could share fees with my employer.

13 The fee was not negotiable. I couldn't go to
14 Recovery and say, "You know what? This \$300, this is chump
15 change. I need you to pay me \$600 per bankruptcy filing."
16 That wasn't the -- that was not the terms of our agreement.

17 You have -- and, Your Honor, you have our agreement
18 in front of you, so you can see very clearly what it says. It
19 was nonnegotiable. So I'm trying to understand: How is it
20 that I can share fees with someone who employs me?

21 And, again, as I testified, I can understand the
22 confusion with the signature block because Recovery is not
23 notated in the signature block, but I think I explained to the
24 Court that that -- the signature block is set the way that it
25 is because it's my firm's Best Case software and it's my

1 personal ECF that the cases were being filed up under.

2 But at the end of the day, I believe that I provided
3 the services that were required up under the terms of the
4 contract. I probably did a little bit more than what was
5 actually asked for up under the terms of the contract. The
6 Gibsons were able to get the relief that they were seeking, and
7 they were satisfied with the services.

8 So I -- I stand here today in opposition to the
9 relief that the U.S. Trustee is requesting as far as the
10 disgorgement of the attorney's fees. And that's all I have,
11 Your Honor. Thank you for listening.

12 THE COURT: Thank you, Ms. Sheppard.

13 MR. PASCHKE: Your Honor, just one final comment.

14 THE COURT: Yes.

15 MR. PASCHKE: Thank you.

16 I just wanted to address quickly the issue regarding
17 the contract of employment between Ms. Sheppard and Recovery
18 Law Group. This has come up in other cases, and other courts
19 have found that these are essentially sham contracts where
20 local contract attorneys are hired on a piecemeal job-by-job
21 basis. They're not full members of any firm, and they have
22 no responsibilities towards the firm. They are simply local
23 contract attorneys.

24 And for that reason, other courts have found -- and
25 I listed the Deighan Law case in my brief -- have rejected this

1 argument that -- because there's an employment contract that is
2 specifically drafted to avoid the reach of Section 504's
3 prohibition against fee sharing, that that somehow renders this
4 legitimate. It's not. 504 prohibits fee sharing. These
5 contracts are designed to circumvent Section 504, and I don't
6 think the Court should (indiscernible) that.

7 Thank you, Your Honor.

8 THE COURT: Mr. Paschke, while I have you at the
9 podium, let me ask you a few things.

10 First of all, do you think it's -- you've been unable
11 to communicate with RLG?

12 MR. PASCHKE: I have received no response to my
13 motion, Your Honor.

14 THE COURT: All right. And are -- is -- to your
15 knowledge, is RLG involved in any other court proceeding in the
16 Southern District that --

17 MR. PASCHKE: Not to my knowledge currently. I
18 think, to the extent that they have a presence in Georgia, it's
19 probably more in the Northern District because I know that
20 there -- much more cases get filed up there. So it's only
21 occasionally that one might find its way down here.

22 THE COURT: Okay. So I hear what you're saying about
23 Ms. Sheppard's conduct and activities. I think, in some ways,
24 she was victimized by this outfit to some extent. And I'm more
25 concerned about preventing them -- and so I'd be interested in

1 what sanctions that you think the Court could impose that would
2 prevent them from ever hiring another contract lawyer.

3 MR. PASCHKE: Well --

4 THE COURT: I don't know -- I don't know how far my
5 jurisdiction extends, but I'd like to run them out of business
6 in the Southern District of Georgia, if not the State of
7 Georgia.

8 Yes, ma'am.

9 MS. SHEPPARD: If you will, Your Honor, I had a very
10 brief conversation with these people from Recovery. Like I
11 said, after I terminated my agreement with them back in June, I
12 had no communication with them until after the trustee's motion
13 was filed.

14 The only reason -- and this is what was said to me.
15 The only reason that they were here in the Southern District is
16 because I was here in the Southern District. When I left, they
17 were not happy with me -- they were not -- because I was the
18 only attorney that they had that could file in the Southern
19 District.

20 what was represented to me is that they've pulled
21 out. They have no intentions of coming back here. So I don't
22 know if that gives you any insight, but that's what they said
23 to me.

24 THE COURT: Okay. Well, I mean, the U.S. Attorney
25 may have something to say about whether they ever come back

1 here or not, and that's my next question.

2 Is this a situation where you would be inclined to
3 make a referral?

4 MR. PASCHKE: We take an incremental approach,
5 Your Honor. This is essentially our first shot across the bow.
6 Basically -- and I discussed this with my superior, Matt Mills,
7 the AUST. Is -- if we can prevent them from getting paid,
8 that's the first step so that they can't profit from filing
9 cases down here. And denying them fees is a good way to do
10 that. And this is the first case where we've attempted to do
11 that.

12 So denying them fees is the first step. And if they
13 still don't go away, then we'll come back with an adversary
14 proceeding seeking injunctive relief.

15 THE COURT: All right. That -- all right.
16 Understood.

17 All right. Well, I'm -- I think we have a good
18 record, and the Court can take -- intends to take the matter
19 under advisement.

20 But, Ms. Sheppard, while I have an audience with you,
21 I wanted to share something with you. So I practiced law for
22 31 years in Augusta. And I think my gestational period as a
23 lawyer lasted probably -- I don't know -- 15 years. It took
24 me a long time to really understand a lot about the practice of
25 law.

1 It wasn't -- it wasn't that I was stupid, although
2 some people might disagree with that. It's just that it's a
3 complicated way to make a living and a profession to pursue.
4 And what makes it very difficult is when someone practices
5 without the benefit of other lawyers around them. Everything I
6 learned about practicing law didn't come from a book. It came
7 from the lawyers who hired me. I worked in a very small law
8 firm, but I learned by their example.

9 And so when I heard you describe, you know, that, you
10 have, an office but not a staff, it made me a little concerned
11 about the extents to which you are isolated in your law
12 practice. And I'm not being critical. I just -- I want to
13 encourage you, as -- from one lawyer to another, to become
14 active in every bar association that you can think of, to find
15 mentors. I mean, you're a young lawyer, by any standard,
16 and -- because I don't want to -- I don't want to -- I think
17 you got taken in by these people, and -- and I don't want to,
18 you know, see it have a negative impact on your career.

19 But it's important to recognize that you just need to
20 stay in touch with other lawyers. You need to spend a lot of
21 time in court. And you need to know what you don't know. And
22 I'm -- I -- I'm convinced that you don't know Rule 2016 as well
23 as you should or the case law that talks about it. So you
24 might want to research that.

25 MS. SHEPPARD: Yes, Your Honor.

1 THE COURT: Not to alarm you, but there's a criminal
2 code section -- well, first of all, in the bankruptcy code,
3 11 USC 504 --

4 MR. PASCHKE: That's the fee sharing one.

5 THE COURT: Right. 504 prohibits fee sharing.
6 Right? And it sort of -- it has some features that are similar
7 to the issues raised in 329 and 2016, but it goes beyond that.
8 It covers a little more sinister activity.

9 But there's a criminal code section that arguably
10 might be in play in this case. It's Title 18, Section 155.
11 And I don't have any reason to expect, you know, this is going
12 to happen, but it could. A prosecutor with nothing better to
13 do could look at this transaction and decide that it violated
14 that criminal statute. Then you wouldn't be practicing law at
15 all ever.

16 So I just want to caution you to, you know, be as
17 diligent as you can in educating yourself about every aspect
18 of areas that you intend to practice in. I was always very
19 careful to have a very narrow lane because -- you know, I did
20 divorce work and a little criminal defense, and I was a
21 Chapter 7 trustee, and I knew that, you know, the farther
22 afield I went, the more danger I was in. And it's because the
23 law is so complicated. So I just --

24 MS. SHEPPARD: Yes, Your Honor.

25 THE COURT: -- want -- I just want to encourage you

1 to, you know, have a mentor, be careful, be thoughtful.

2 I'll tell you another thing that -- that -- when I
3 first started practicing law, we had what were known as advance
4 sheets. And every week, you'd get a small, you know, 10- or
5 15-page -- and it was just a list of recent appellate decisions
6 by the Georgia Court of Appeals and the Georgia Supreme Court.

7 And then about once a month, you'd get a softbound
8 copy that was -- that was the same material, but they would
9 collect it. And the lawyers that hired me, they told me, "You
10 must read advance sheets all the time, criminal and civil. We
11 don't care if it's a case you're interested in or not. Read
12 them all." And they were summaries of the decisions.

13 But the ones that stuck out to me all the years that
14 I read them were all of the disciplinary proceedings by the
15 Supreme Court of Georgia. You know, when they disbar or
16 suspend a lawyer, they -- they recite the history of the case.

17 And oftentimes, I would read the decision and say,
18 "Gosh, I came dangerously close to that," because it might be
19 something like, you know, they suspend a lawyer because they
20 didn't return phone calls fast enough. Well, I wasn't -- I
21 wasn't the best about returning phone calls. So there's lots
22 of places where you can get hung up.

23 And so I would encourage you to read disciplinary
24 reports. It's almost like reading the Good Book because it
25 just reminds you of, you know, what's important and how to

1 stay on track.

2 I think you did -- from all I can tell, I think you
3 did a good job for Mr. and Ms. Gibson. They seem happy. They
4 got their discharge. They got their fresh start that you tried
5 to help them with.

6 I share Mr. Paschke's concerns about this business
7 model. I'm taking under advisement his motion for sanctions.
8 I'm not sure, you know, why you should be -- I may conclude it
9 later, but, as I sit here right now, I'm not sure why you
10 should be required to repay the money that somebody else got.
11 But on the other hand, if the sanction -- I don't want the
12 sanction, if any, that I might impose to be totally
13 meaningless, so I'll mull that over.

14 But, anyway, I wanted to tell you finally that I've
15 been impressed by your presence in court, your testimony, your
16 presentation, your willingness to be here and to work this out
17 with Mr. Paschke and to recognize, you know, why he's bringing
18 this action and that the U.S. Trustee has an obligation to help
19 protect the integrity of the system and the enforcement of the
20 rules. And so I -- I'm glad that you participated willingly.

21 And I will rule on this motion as promptly as I can.
22 I'm probably going to request a transcript, Elizabeth, if you
23 can arrange that for me, so that might slow me down a little
24 bit. But if there's nothing else, we'll stand adjourned.

25 COURT SECURITY OFFICER: All rise.

MS. SHEPPARD: Thank you, Your Honor.

MR. PASCHKE: Thank you, Your Honor.

THE COURT: Yes, sir.

MS. SHEPPARD: Thank you, Your Honor.

(Proceedings concluded at 2:16 p.m.)

C E R T I F I C A T E

I, Victoria L. Root, Certified Court Reporter, in and for the United States District Court for the Southern District of Georgia, do hereby certify that the foregoing transcript of the proceedings held in the above-entitled matter was transcribed to the best of my ability from the Court's electronic recording system and that the transcript page format is in conformance with the regulations of the Judicial Conference of the United States.

WITNESS MY HAND AND SEAL this 14th day of June, 2023.



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